

FISCAL NOTE

Bill #: HB0347

Title: Appropriate coal trust funds to fund k-12 education

Primary

Sponsor: John A. Mercer

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
State Special Revenue	\$52,000,000	\$52,000,000
Revenue:		
General Fund	(\$2,808,000)	(\$6,552,000)
State Special Revenue	\$2,000,000	\$2,000,000
Other (Permanent Fund)	(\$2,000,000)	(\$2,000,000)
Net Impact on General Fund Balance:	(\$2,808,000)	(\$6,552,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. Permanent Fund interest earnings are currently deposited in the General Fund.
2. On July 1, 1999, and July 1, 2000, \$50.0 million is transferred from the Permanent Fund to the Office of Public Instruction (OPI) for distribution to public schools.

(continued)

3. Beginning July 1, 1999, \$2.0 million is diverted annually from the Permanent Fund to a special revenue fund account for the purpose of providing financial incentives for new, public school teachers.
4. All funds transferred to the OPI will be distributed to school districts and expended as provided by law.
5. Although \$52 million will be transferred to OPI on July 1st of each year, OPI will distribute the monies to school districts on August 25th. The General Fund will earn interest on the funds for the approximately 3 months while awaiting distribution.
6. The estimated investment interest rate for the next biennium is 7.2%, as established by HJR2.
7. Interest earnings are not compounded because they are essentially expended as earned.
8. The fund balance of the permanent coal tax trust fund at June 30, 1998 was \$607.6 million. And, excluding any impact of 1999 session laws, is estimated to have a balance of \$656.1 million at June 30, 2001
9. The amount of funding available for In-State investments from the Permanent Coal Tax Trust would be reduced by \$25.0 million (25% of \$100 million).

FISCAL IMPACT:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
<u>Expenditures:</u>		
Transfers	\$52,000,000	\$52,000,000
<u>Funding:</u>		
State Special Revenue (02)	\$52,000,000	\$52,000,000
<u>Revenues:</u>		
General Fund (01)	(\$2,808,000)	(\$6,552,000)
State Special Revenue (02)	2,000,000	2,000,000
Other (09)	(2,000,000)	(2,000,000)
<u>Net Impact to Fund Balance (revenue minus expenditure):</u>		
General Fund (01)	(\$2,808,000)	(\$6,552,000)
State Special Revenue (02)	0	0
Other (09)	(52,000,000)	(52,000,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts would receive \$52.0 million annually during the 2001 biennium, and \$2.0 million annually thereafter.

LONG-RANGE IMPACTS:

Over the long term, the bill would provide additional annual funding for local school districts (\$2,000,000), while reducing General Fund revenues by approximately \$100,000 per year. The bill would reduce the amount available for In-State Investment loans by \$25.0 million.